



The City of San Diego

Staff Report

DATE ISSUED: 10/4/2017

TO: City Council

FROM: Real Estate Assets

SUBJECT: Lease Agreement for the operation of concession stands at the following City-owned reservoirs: El Capitan, Hodges, Miramar, Murray, Lower Otay, San Vicente and Sutherland.

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Council District(s): Citywide

OVERVIEW:

City proposes to enter into a 20 year lease agreement with Pyramid Enterprises, Inc., dba Rocky Mountain Recreation Co (Pyramid). With Public Utilities Department approval, Pyramid will operate the concession stands at the various City-owned reservoirs. Pyramid may only use the premises for the following purposes: operating a snack bar; selling fishing tackle, bait, State of California fishing licenses, license stamps, and daily recreational use permits; renting motorboats, rowboats, kayaks, paddleboats, and bicycles; hosting fishing tournaments, community awareness programs and classes; and use of on-site RV pads for manager housing at El Capitan Reservoir, Hodges Reservoir, Otay Reservoir, San Vicente Reservoir and Sutherland Reservoir.

PROPOSED ACTIONS:

Authorize the Mayor or designee to execute a 20 year lease agreement between The City of San Diego, as Lessor, and Pyramid Enterprises, Inc., dba Rocky Mountain Recreation Co, as Lessee, for operation of concession stands at various City-owned reservoirs.

DISCUSSION OF ITEM:

The City owns several reservoirs that are part of the City's municipal water-supply system. The City has offered public recreational use of its reservoirs since 1913, when the core of the present water storage system was purchased from private operators. The public is provided supervised recreational access to all of the City's reservoirs for a variety of traditional outdoor activities including fishing, boating, hiking, picnicking, waterfowl hunting and more. In addition, the City offers a popular water contact program with seasonal access for water-skiing, jet skiing and windsurfing. Pyramid, who has been the vendor at the reservoirs since May 2011, was selected as the proposed concessionaire through an RFP process and is currently providing this service to the City under a previously issued permit, will continue to provide this community benefit by operating a snack bar; selling fishing tackle, bait, State of California fishing licenses, license stamps, and daily recreational use permits; renting motorboats, rowboats, kayaks, paddleboats, and bicycles; hosting fishing tournaments, community awareness programs and classes. A 20 year lease is recommended because of the benefits provided to the public by having a concessionaire on the property, as well as the projected revenue that the City will receive. Their current minimum monthly rent is \$1,050.00 per month for one agreement (for services at 5 reservoirs) and \$500.00 per month for another agreement (for services at 1 reservoir). The average percentage rent received over the past 3 years is approximately \$18,000.00. In addition to the general services that Pyramid will provide, their presence provides a degree of security at the reservoirs as well. Additionally, because of capital needs, a 20 year lease will allow amortization of their investment in the equipment purchased used to serve the use patterns of the facilities. It will also allow for repair and replacement of equipment as needed. In the recreation industry, a long term lease will serve as a potential asset and help facilitate the longevity of the company, as well as maximize the services they provide, which in turn should provide a stable, long term benefit to the City.

Staff recommends approve the requested action.

City Strategic Plan Goal(s)/Objective(s):

Goal #1: Provide high quality public service

Objective #1: Promote a customer-focused culture that prizes accessible, consistent, and predictable delivery of services

Objective #4: Ensure equipment and technology are in place so that employees can achieve high quality public service

Goal #2: Work in partnership with all of our communities to achieve safe and livable neighborhoods

Objective #1: Protect lives, property, and the environment through timely and effective response in all communities

Objective #2 Reduce and prevent crime

Objective #4: Foster services that improve quality of life

Fiscal Considerations:

The City will receive an initial annual minimum guaranteed rent of \$3,500 per month (\$42,000 annually). Effective at the beginning of the first day of each Agreement Year, the Minimum Rent shall be adjusted to eighty percent (80%) of the annual average of actual rent paid in the immediately preceding Agreement Year, but in no event less than the Minimum Rent of the immediately preceding Agreement Year. Under this percentage rent agreement, Lessee will pay the City 10% of the gross sales. The City will pay the Lessee 5% of the revenues received for selling permits, as a commission. All revenue to be deposited into Public Utilities General Fund (100000) – Reservoir Recreation.

Environmental Impact:

This activity is categorically exempt from CEQA pursuant to CEQA Guidelines Section 15301 (Existing Facilities), which allows for the operation, repair, maintenance, permitting, leasing, licensing, or minor alteration of existing public or private structures or facilities involving negligible or no expansion of use; and where the exceptions listed in CEQA Section 15300.2 would not apply in that no cumulative impacts were identified; no significant effects on the environment were identified; the project is not adjacent to a scenic highway; no historical resources would be affected by the action, and the project was not identified on a list of hazardous waste sites pursuant to Section 65962.5 of the Government Code.

Equal Opportunity Contracting Information (if applicable):

N/A

Previous Council and/or Committee Actions:

This item will be heard by the Smart Growth & Land Use Committee prior to Council.

Key Stakeholders and Community Outreach Efforts:

Key stakeholders are the public that visit and utilize the City's reservoirs, the communities surrounding the reservoirs, as well as the staff that operate and maintain those reservoirs.

Cybele Thompson

Department Director

Ronald H. Villa

Deputy Chief Operating Officer, Internal Operations